IRS REFORM/Board of Governors Alternative

SUBJECT: **Internal Revenue Service Restructuring and Reform Act of 1998 . . . H.R. 2676. Bond amendment No. 2341.**

ACTION: AMENDMENT REJECTED, 25-74

SYNOPSIS: As reported, H.R. 2676, the Internal Revenue Service Restructuring and Reform Act of 1998, will radically restructure the Internal Revenue Service (IRS) to make it more accountable and responsive to taxpayers' needs, and will enact comprehensive reforms to protect taxpayers from IRS abuses of power.

The Bond amendment would strike the provisions to create an oversight board and would insert in lieu thereof provisions to create an IRS Board of Governors, which would have much broader p

(See other side)

YEAS (25)		NAYS (74)				NOT VOTING (1)	
Republicans (24 or 44%)	Democrats (1 or 2%)	Republicans (31 or 56%)		Democrats (43 or 98%)		Republicans (0)	Democrats (1)
Abraham	Hollings	Allard	Hutchison	Baucus	Kennedy		Akaka-[4]
Ashcroft		Bennett	Jeffords	Biden	Kerrey		
Bond		Brownback	Lott	Bingaman	Kerry		
Burns		Chafee	Lugar	Boxer	Kohl		
Campbell		Coats	Mack	Breaux	Landrieu		
Coverdell		Cochran	Murkowski	Bryan	Lautenberg		
Craig		Collins	Roberts	Bumpers	Leahy		
D'Amato		Domenici	Roth	Byrd	Levin		
DeWine		Enzi	Santorum	Cleland	Lieberman		
Faircloth		Gorton	Sessions	Conrad	Mikulski		
Frist		Grams	Smith, Gordon	Daschle	Moseley-Braun		
Gramm		Grassley	Snowe	Dodd	Moynihan		
Hutchinson		Gregg	Specter	Dorgan	Murray		
Inhofe		Hagel	Thompson	Durbin	Reed		
Kempthorne		Hatch	Warner	Feingold	Reid		
Kyl		Helms		Feinstein	Robb		
McCain				Ford	Rockefeller		
McConnell				Glenn	Sarbanes		
Nickles				Graham	Torricelli		
Shelby				Harkin	Wellstone		
Smith, Bob				Inouye	Wyden		
Stevens				Johnson			
Thomas							
Thurmond							

EXPLANATION OF ABSENCE:
1—Official Business
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

areas. Two of those individuals would be Democrats and 2 would be Republicans. The Board of Governors, which would be a full-time board, would review and approve: IRS strategic plans; IRS operational plans; IRS reorganization plans (including reorganization plans designed by the IRS to implement this bill's requirements); IRS budget requests (the budget approved by the IRS board would be submitted to Congress without alteration, though the President could submit a rival budget); the performance of senior IRS officials; and the IRS's financial audit procedures. Also, the oversight board would make recommendations on the appointment or removal of the IRS Commissioner and the Taxpayer Advocate, and on tax policies. Finally, it would not be prohibited from intervening in enforcement actions, nor would it be limited in its access to return information.

Those favoring the amendment contended:

The IRS has over 100,000 employees spread across the country and around the world. It has a budget of over $7 billion, and it collects more than $1 trillion each year from millions of taxpayers. The hearings on this agency over the past year have revealed a shocking pattern of abusive, criminal behavior by IRS agents and by their managers, and strong and persistent allegations have been made that the agency has been used in its most recent years as a political weapon. As it is currently structured, the agency does not answer to anyone. The response in this bill is to create a part-time, temporary oversight board with very limited powers. The board will be dominated by entrenched interests: the IRS Commissioner, the Secretary of the Treasury, and an IRS union official. The other six members will be from the private sector, and will only be involved in the IRS when the part-time board meets. When the board meets, it will only discuss "broad" issues--it will not have any tax policy role, nor will it have any right to get involved in specific enforcement or IRS personnel issues. It supposedly will have the authority to consider enforcement and personnel issues in their broader context, but the reality is that it will have no way of knowing if there is a problem because its access to information will be at the discretion of the IRS Commissioner. For instance, KTVT in Dallas recently asked the IRS for records of tax collectors who themselves were violating the Tax Code. The IRS claimed it had no such data. An IRS employee then slipped an internal IRS document to the television station showing that last year nearly 4,000 IRS employees did not file or pay taxes. When confronted with that data, the IRS then admitted to the station that 137 of those employees were in the Dallas area and owed $400,000. How would this part-time board ever hear of this type of problem if the IRS decided to hide it, especially when this bill specifically will allow it to hide it? In contrast, full-time boards can provide very effective oversight. The examples that immediately come to mind, because they deal with equally important and equally sensitive issues, are the Federal Reserve Board, the Securities and Exchange Commission, and the Federal Communications Commission. Under the Bond amendment, a similar board would be created. It would draw four private sector professionals to serve with the IRS Commissioner. Board members would have full access to all personnel and taxpayer data. The simple principle that is recognized by the Bond amendment is that experience has proven that full-time boards of governors with real authority work, and part-time advisory oversight boards do not work. Our colleagues have raised two main arguments against this amendment. First, they have said that the most qualified people will not work if they have to give up their lucrative private-sector jobs to work full-time at the IRS. In response, we have never heard our colleagues suggest that we had to scrape the bottom of the barrel to get Federal Reserve Chairman Greenspan, or the current IRS Chairman Rossotti, or Arthur Levitt to oversee the securities markets. Obviously, the best and brightest are willing to serve on these boards; the IRS board will not be any different. Second, our colleagues have said that the board would be too independent. We hardly see that result as anything about which to complain, considering the recent allegations that the IRS is being used as a political weapon. This board will be politically balanced and will be comprised of private sector professionals. We think that this change will be a huge improvement. Like our colleagues, we have great confidence in the current IRS Chairman. However, he will not always be at the IRS, and the organizational security of this important agency should not depend on the good graces of one man. We need to put in place an organizational structure that will prevent abuses. We therefore strongly support the Bond amendment.

Those opposing the amendment contended:

We initially favored the approach taken by the Bond amendment. However, we gradually became convinced for two main reasons that creating a part-time board with more limited powers was a better way to proceed. The first reason was that we did not want to attract the usual suspects to serve on the board. If we were to create full-time positions, the same inside-the-beltway crowd of Washington career people would start to lobby their patrons in Congress for the appointments. We would probably end up with people on the board who were very familiar with all of the laws and debates that occur in Washington, but we would not end up with any businessmen and businesswomen who understand how the IRS and tax laws work in practice as well as in theory. The second result that we wanted to avoid was creating a new level of bureaucracy that would get bogged down in details. Making the board a full-time board with authority to get involved in particular taxpayer and personnel cases would distract it from its main purpose, which is to give outside, commonsense guidance. As the bill is drafted, the oversight board will have considerable powers in its assigned areas. It will not micromanage the IRS; it will steer it. We urge our colleagues to support the bill's approach instead of the approach taken by the Bond amendment.